

HOUSE FINANCE COMMITTEE  
March 29, 2021  
1:37 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Bryce Edgmon  
Representative DeLena Johnson  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Sara Rasmussen  
Representative Steve Thompson  
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Representative Zack Fields, Sponsor; Tristan Walsh, Staff,  
Representative Zack Fields; Representative Mike Cronk.

PRESENT VIA TELECONFERENCE

Sarah Leonard, President and Chief Executive Officer,  
Alaska Travel Industry Association; Claire Radford,  
Legislative Counsel, Legislative Legal Services; Colleen  
Glover, Director, Tax Division, Department of Revenue.

SUMMARY

HB 27          NAMING IRENE WEBBER BRIDGE

HB 27 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (DOT).

HB 128      USE OF INTERNET FOR CHARITABLE GAMING

CSHB 128(FIN) was REPORTED out of committee with four "do pass" recommendations, three "no recommendation" recommendations, and four "amend" recommendations and with one new indeterminate fiscal note from the Department of Revenue.

PRESENTATION: TOURISM AND THE ECONOMY BY THE ALASKA TRAVEL INDUSTRY ASSOCIATION

Co-Chair Foster reviewed the agenda for the day.

^PRESENTATION: TOURISM AND THE ECONOMY BY THE ALASKA TRAVEL INDUSTRY ASSOCIATION

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SARAH LEONARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALASKA TRAVEL INDUSTRY ASSOCIATION (via teleconference), provided a PowerPoint presentation titled "Alaska State Legislature: House Finance Committee" dated March 29, 2021 (copy on file). She began on slide 2 and explained that Alaska Travel Industry Association (ATIA) was the leading statewide organization for travel related businesses and partners. She relayed that ATIA's mission was to promote Alaska as a top visitor destination and as one of the state's economic contributors. The association had more than 600 members and community partners representing small and large businesses from every region in Alaska, as well as diverse sectors across the travel industry. She shared that the organization was led by a 24 member elected board of directors representing Alaska's regions and different business types. She shared that Alaska's lieutenant governor was an ex officio member of the board of directors.

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Ms. Leonard turned to slides 3 and 4 and stated that along with being a statewide voice for Alaska tourism, ATIA had long managed the state's destination marketing program Travel Alaska. The marketing program traditionally included

producing a printed vacation planner (a magazine style piece), public relations with media, television advertising when ATIA could afford it, and digital advertising through its main consumer website travelalaska.com along with social media through platforms like YouTube, Facebook, Instagram, and Twitter. She relayed that ATIA had past investment in travel trade shows and international marketing efforts.

Ms. Leonard addressed the impacts of COVID-19 on the travel industry. She reported that the industry had been hit hard by the pandemic. She stated that according to the World Tourism Organization, destinations welcomed 900 million fewer international tourists between January and October when compared with the same period of 2019. She detailed that the reduction in travel translated into the loss of \$935 billion in export revenues from international tourism, which was more than 10 times the loss in 2009 during the global economic crisis.

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Ms. Leonard moved to slide 7 and reported that international arrivals fell by 72 percent over the first 10 months of 2020. She elaborated that travel restrictions, low consumer confidence, and the global struggle to manage the disease generated what the World Tourism Organization called the "worst year on record in the history of tourism."

Ms. Leonard turned to slide 8 and relayed that according to the U.S. Travel Association, domestic and international travelers spent \$1.1 trillion in the U.S. in 2019. The spending directly supported 9 million jobs, 7 percent of the total private industry employment in the U.S. and generated \$277 billion in payroll income and \$180 billion in tax revenues for federal, state, and local governments. Since the beginning of March 2020, the pandemic had resulted in over \$500 billion in losses for the U.S. travel economy. She shared that at the current pace, the industry was not expected to fully recover until 2025.

Ms. Leonard advanced to slide 9 and reported that pre-pandemic, Alaska saw close to 60 percent of its visitors arrive by cruise in the summer months and over one-third by air, with the rest arriving by land via the Alaska Canadian Highway or via the Alaska Marine Highway System (AMHS). She

elaborated that the more than 2.5 million visitors in 2019 generated \$4.5 billion in economic activity for the state and supported over 50,000 direct and indirect jobs (one in ten Alaska jobs). She relayed that tourism in Alaska had generated \$215 million in tax revenues for state and local governments. Since March of the previous year, every entry point by travelers had been impacted. She stated that 99.9 percent of the cruise sailings had been canceled in Alaska and air travel had been significantly impacted (although there had been some travel at airports as Alaska's testing procedures and travel mandates and guidelines had been initiated). She stressed that with the Canadian border closure since March 2020, which had been extended through February 2022, large ship cruise and highway travel continued to be impacted.

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Ms. Leonard highlighted a table representing all air travel and the difference between 2019 and 2020 on slide 10. She reported that Anchorage, Fairbanks, and Juneau saw decreases of 59 percent across the board. She turned to slide 11 and stated there were more dramatic differences in land crossings at the boarder with almost 250,000 fewer travelers. She looked briefly at slide 12 and noted the losses were even higher on AMHS.

Ms. Leonard turned to slide 13 and stated that when talking about how hard hit the Alaska visitor industry was by COVID-19, ATIA looked to employment data as it had not been able to fund or gather more specific information until recently. She relayed that ATIA was about to implement a study in partnership with the McKinley Research Group to assess more comprehensive economic impacts from COVID-19 on the Alaska travel and tourism industry. She explained that the graph represented data from the Department of Labor and Workforce Development and was a snapshot from June year-over-year including various census areas ranging from Skagway to Denali. Overall, Alaska had been down 37 percent in employment in the leisure and hospitality industry. She reported similar job losses in related air transportation employment.

Ms. Leonard spoke to slide 15 and 16. She stated that overall Alaska was down 35 percent in the accommodation and food service employment sectors. The Denali Borough and Skagway community were significantly impacted by the loss

of visitation over the past summer with 87 percent and 80 percent employment loss, respectively. She relayed that communities in the Denali Borough and Southeast Alaska had been particularly impacted by the loss of large ship cruise travel; however, the impacts were spread throughout the state. She moved to slide 17 and briefly highlighted that sightseeing tourism businesses were down 85 percent in employment losses Anchorage, Juneau, and Ketchikan.

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Ms. Leonard moved to slide 19 and stated that the Alaskanomics blog from March 26, 2021, reported February [2021] employment was down 7 percent from February 2020 - a loss of over 22,000 jobs with leisure and hospitality in the forefront of the losses with 7,300 fewer jobs than the prior February (a loss of over 20 percent). She stated that the losses translated into jobs of friends, neighbors, and colleagues ranging from frontline customer service teams to outdoor tour guides.

Ms. Leonard shared that since the beginning of the pandemic, ATIA had used a multipronged approach toward moving and keeping Alaska's tourism industry onto the economic path toward recovery. First, the health and safety of employees and visitors remained a priority. She explained that ATIA had developed high-level industry safety protocols in April 2020 that businesses could incorporate into their operations and market to travelers. Second, ATIA continually advocated for safe return for cruises in Alaska. She relayed that Canada's prohibition on cruise vessels until February 2022 had further threatened Alaska's already fragile tourism industry.

Ms. Leonard detailed that ATIA worked closely with the state's Congressional delegation on brainstorming solutions to safely resume cruising operations. The association appreciated the leadership of the Congressional delegation on the issue, particularly relating to the conversations with the Center for Disease Control and Prevention (CDC) allowing possible changes to complicated federal regulations, such as a temporary waiver to the Passenger Vessel Services Act (PVSA). She shared that ATIA was closely watching updated timelines and information from the CDC regarding further guidance for the conditional sailing order. She acknowledged the legislature's HJR 13 urging Congress to exempt cruise ships from certain provisions of

the PVSA related to Canadian ports. She relayed there had been another 30-day extension by the Canadian government to keep the land border closed through April 21st. She reported that Canadian land border restrictions continued to be confusing by province and were another entryway stalled for travelers to reach Alaska destinations.

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Ms. Leonard turned to slide 20 and discussed that ATIA had also partnered with the Department of Health and Social Services on travel guidelines during COVID. She stated that ATIA supported providing the governor with the necessary tools for a public health emergency. She continued that at the same time, the industry was moving forward and letting visitors know it was ready to safely provide Alaska experiences. She elaborated that vaccine availability had really changed the conversation for travel and that Alaska was perceived as an even more safe destination and one that was open for business. She explained that because the vaccine was available in Alaska to anyone 16 years of age and older for residents and nonresidents working in the travel and tourism industry, ATIA was encouraging businesses to make the vaccine available within their workforce in order for its teams to be safe and work in Alaska.

Ms. Leonard stated that ATIA advocated for continued financial support for tourism businesses and destination marketing organizations at the local, state, and federal levels. She elaborated that it included complementing the U.S. Travel Association's relief and recovery priorities, which focused on considerations for the tourism industry and was reflected in the recently passed American Rescue Plan Act (ARPA). She detailed important provisions in the act included flexibility and extensions within the Paycheck Protection Program, grants to tourism businesses and nonprofits through dollars allocated to states, local, and tribal governments, including aid to impacted industries such as tourism, travel, and hospitality. She stated it also included the valid use of tourism marketing and promotion for communities and states that had suffered economic injury due to losses in travel, tourism, and outdoor recreation, through programs like those funded with money coming to Alaska and through the Economic Development Administration (EDA).

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Ms. Leonard addressed slide 22 and discussed a path forward. She discussed that the future of Alaska's tourism industry and long-term recovery was about investing in the marketplace. She emphasized that Alaska was currently competing with other destinations for every traveler and dollar. She relayed that ATIA had shifted its message to target independent and air travelers as accessible ways to safely travel to Alaska. She stated that promoting Alaska at present through the rest of the year, could help generate much needed economic activity for tourism businesses and communities.

Ms. Leonard moved to slide 23 and spoke about traveler sentiment. She reported there were increasing positive trends related to traveler sentiment. She shared that Destination Analysts, a national research consulting firm, was predicting amidst the stress of the pandemic, Americans were prioritizing relaxation, and many were ready to travel to achieve it. She relayed that nearly 9 out of 10 travelers agreed that having a trip planned gave them something to look forward to and that travel made them excited, happy, and hopeful. She stated that a record-high 74 percent of American travelers did some sort of travel planning and dreaming in the recent past weeks alone. She reported that close to 87 percent of American travelers had travel plans within the next six months (the highest level seen since March 2020).

Ms. Leonard advanced to slide 24 and stated that vaccine availability would play a huge roll in travel recovery. She relayed that ATIA was optimistic the rollout would expand to reach more people in the coming months. She reported that Destination Analysts and U.S. Travel shared that over half of Americans expected to get a vaccine by June, older Americans (part of Alaska's target demographic for travelers) were more likely to get vaccinated or had been vaccinated, and younger travelers were the likeliest to plan for travel as vaccines became more widely available. Following the May 1 goal to open vaccine eligibility to all U.S. adults, 60 percent of travelers were confident there would be a return to "normal" by summer.

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Ms. Leonard turned to slide 26 and stated that it was necessary to reach travelers with the necessary information on how to travel safely and visit Alaska; therefore, ATIA had produced a video invitation in partnership with Governor Dunleavy to invite travelers to Alaska. The association was sharing travel-safe information in its messaging on a limited budget. She looked at slides 27 and 28 and relayed that ATIA continued to reach travelers through its current marketing channels digital assets via social media, advertising, and public relations. She shared that ATIA was also renewing its Show Up for Alaska campaign encouraging residents to get out and explore places in their own backyard throughout the year.

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Ms. Leonard returned to a chart on slide 25 and stated that the circle of economic life for Alaska travel and tourism meant more at present than ever before. She expounded that destination marketing would help Alaska travel and tourism toward recovery. The return on investment with destination marketing really stood out when it was gone. She detailed that pre-pandemic, Alaska's visitor industry provided over \$4 billion in economic activity and supported one in ten jobs in Alaska. She elaborated that when visitors spent money in a destination, they contributed to local and state budgets. She stressed that Alaska needed to be marketing currently to travelers who were making their travel decisions in order to recover jobs and generate economic benefits for Alaska communities and the state.

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Ms. Leonard advanced to slide 29 and thanked the committee for its support of the tourism industry.

Representative Josephson asked if the ATIA board had taken a position on the emergency declaration debate.

Ms. Leonard answered that the ATIA board of directors had not taken a formal position on the emergency declaration order. The board supported the governor having the necessary tools needed in a public health emergency.

Representative LeBon referred to Ms. Leonard's reference to highway traffic through Canada currently being closed



through April. He asked when highway traffic may reopen through Canada.

Ms. Leonard answered that she wished she had a crystal ball. The organization had advocated that safe travel was possible. She elaborated travelers were looking at being in their own vehicles as an easier way to be safe to travel up through Alaska. She had heard anecdotally it was dependent on each province and Canadian government officials were being conservative about opening up nonessential travel over land. She communicated her understanding there was another 30-day extension through April.

Representative LeBon referenced Ms. Leonard's remarks on state support for destination marketing. He asked how much money was raised through ATIA members to promote Alaska as a destination.

Ms. Leonard replied that it depended on the state investment. She detailed that ATIA had historically partnered with the state and leveraged the funding by raising cooperative marketing opportunity sales from industry. She detailed that some years, ATIA had raised \$1 million from industry to leverage a state public/private investment or grant, while other times ATIA had raised \$2 million. Overall, the association received revenue from membership dues and convention in normal years. She reported that in the past year, ATIA had not made any net revenue on its conventions for obvious reasons. She added that it was not necessary to be an ATIA member to participate in its cooperative marketing programs offered at different levels depending on ATIA's marketing program budget.

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Representative LeBon asked if there was still an open window that may allow for larger cruise ships (exceeding 100 passengers) to come to Alaska in 2021.

Ms. Leonard answered that she believed the window was closing rapidly on seeing any large cruise ships in the coming summer.

Representative Rasmussen thanked Ms. Leonard for her presentation. She spoke about small businesses servicing the cruise ship industry. She asked Ms. Leonard to speak

about the relationship between cruise ship companies and smaller businesses and whether ATIA had members who offered expeditions on land. She asked how the state could help those businesses as it was facing another season without cruise tourism. She thought it would be very difficult to keep doors open for small companies reliant on cruise passengers.

Ms. Leonard responded that the majority of ATIA's membership was made up of small to medium tourism businesses with 3 to 5 employees or 7 to 20 employees, respectively. She elaborated that ATIA had membership from smaller business operators in Southeast, the Interior, and throughout the state. She believed the state could step in to help provide the needed cash and liquidity for some businesses that may see low or no revenue in the coming summer season. She suggested that the state could step in with a grant program like it had the previous year to provide gap resources to enable businesses to get through the tough coming summer season.

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Representative Rasmussen remarked that the state was struggling with limited General Fund dollars. She asked if visitors would support a slight increase in parks fees to help offset some of the budget gap. She did not know how Alaska compared to other states, but she believed many people went on vacation knowing they would spend a bit of money. She recalled visiting theme parks in Florida recently where it had cost \$25 to \$30 per day to park. She surmised that people traveled to Alaska to experience nature. She wondered if a fee increase would be detrimental to people coming up.

Ms. Leonard could not answer the question without more detail on the amount of an increase or how it would be implemented. She believed when fees were imposed unexpectedly, visitors expressed frustration. She explained that it took time to plan a trip to Alaska because it was considered a long-haul destination. She added ATIA was doing everything possible to make it easier for people to travel to Alaska by providing necessary information. She stated that because of the loss potentially of a large ship cruise season and the volume of visitors normally expected, there would be many businesses looking to gain any kind of economic activity throughout the rest of the year.

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Representative Rasmussen remarked that she would talk with Ms. Leonard more offline about the idea. She clarified she was not suggesting an increase in the neighborhood of \$100 for a parking fee. She thanked Ms. Leonard for her comments.

Representative Johnson recognized the large downturn in tourism dollars due to the [absence of] cruise ships and the ALCAN [Alaska-Canadian Highway] closure. She pointed out that AMHS ridership had gone down significantly during the past year. She asked about a shift in marketing focus to increase ridership on the state's ferries.

Ms. Leonard answered that it was the reason ATIA had shifted its messaging because people could reach Alaska by air travel and do independent travel in the coming summer season into the fall. She detailed that messaging had been shifted to highlight experiences like AMHS. She elaborated that messaging included posts on social media and video targeting destinations in the Lower 48 that normally saw visitation. She agreed AMHS ridership had not been at the volume seen in typical years and it could not replace the large cruise ship visitor volume, but ATIA was doing everything possible to share the story of an AMHS experience to hopefully increase ridership and other independent experiences in Alaska.

Representative Johnson thought some more adventurous travelers may not know the ferry system existed. She believed there may be a bit of opportunity to see something positive.

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Co-Chair Foster recognized Representative Mike Cronk in the audience.

Representative Wool noted that Representative Johnson had mentioned an interesting concept about AMHS. He surmised that ferry travel between and Washington was exempt from the passenger ship restriction. He noted it would be possible to bring up hundreds of passengers on AMHS and suggested getting a bar on the ferry from Bellingham. He noted the ferries did not serve alcohol and he may want to

fix the problem if he were on a six-day trip to Alaska. He referenced Ms. Leonard's statement that the window was closing for large cruise ship travel to Alaska in the coming summer. He hoped the window could be wedged open for part of the summer. He remarked that travel was obviously not closed for air travel, and he understood there were additional airlines servicing Alaska. He asked whether ATIA members who had not been interested in advertising in the past due to dependable business from cruise travel had expressed interest to ATIA about increasing marketing. He used a float plane business located next to a cruise ship dock in Juneau as an example. He elaborated that the business had a built-in audience with every ship. He asked whether the businesses were interested in marketing to other areas because cruise ships may be on hiatus for a while. He had heard from other legislators that due to the economic crisis the state could not justify any expense. He countered that it could be argued that promoting Alaska to the outside world during the critical time, may pay back many times over. He reiterated his previous question and wondered whether members were interested in increasing their contribution to marketing.

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Ms. Leonard responded that there had been discussions within the membership of people shifting gears in order to make something work. However, many businesses thinking about how to bring in revenue in the coming summer may not have the extra resources to put into marketing. She explained it was one of the reasons businesses partnered with ATIA to rely on a statewide marketing effort to help with limited dollars to gain reach and scale into other domestic markets. She heard the conversation in the industry and ATIA membership about finding any way to adapt and generate some economic revenue. She added that some businesses had decided to close and try to hang on another summer season.

Representative Wool felt for all of the businesses. He stated his understanding that in the past, the cruise ship industry within ATIA felt it did much of its own marketing and did not need ATIA marketing. He understood that it had been somewhat of an issue. He stated that because the cruise ship industry was currently hurting, it could not be relied on to increase its marketing to come to Alaska, especially if ships could not travel to Alaska. He

recognized that the state's contribution toward marketing had declined drastically, which he thought may need to be reevaluated. He understood the desire to avoid spending money when times were tough, but he thought perhaps it was necessary to spend a bit of money in order to fill some of the gaps. He hoped to get cruise ships coming back and considered that perhaps the resolution would help make it happen.

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Vice-Chair Ortiz spoke about federal relief efforts and asked if ATIA members had vocalized difficulty accessing the federal funds. He asked Ms. Leonard how the state could do a better job making the resources accessible.

Ms. Leonard answered that in the past year there had been numerous challenges for businesses accessing federal stimulus funds. She explained that many small business owners did not have an accounting or financial person on staff to navigate through what could be complex applications. She relayed that the Department of Commerce, Community and Economic Development had stepped in the previous year to help smooth the Coronavirus grant process for small businesses. She had heard members recommend building on that successful program to get out grants, not loans, to small business organizations as seamlessly and quickly as possible. She pointed out that the new ARPA gave consideration to the travel and tourism industry and businesses and organizations in hospitality. She noted that the past the tourism sector, which had been one of the hardest hit sectors, had not been highlighted.

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Representative Josephson understood that approximately ten years back ATIA had received around \$19 million for the industry collectively, which he believed was the high water mark for contributions from the state. He provided a scenario where a similar amount came to the industry via ARPA funds. He asked whether the industry would be able to use the funds if they arrived in late May.

Ms. Leonard answered in the affirmative. She recalled past grants of \$16 million that had been leveraged by the industry. She underscored that the industry could employ the funds to help market Alaska.

Representative Thompson referenced Ms. Leonard's remark that the state had put about \$16 million into marketing several years back. He recalled at the time the amount had been compared to Hawaii, which was putting \$50 million into marketing for a destination. He asked if the difference was similar or had increased.

Ms. Leonard answered that she did not know the precise difference at present. In discussions with other state tourism director colleagues, as recently as 2020 there had been Western states spending \$15 million to \$17 million on destination marketing to be open for business. Alaska had a different environment and had necessary health and safety in place; however, it was ready and would be competing for travelers. She noted there were destinations in the Lower 48 that were already marketing and opening for business.

Co-Chair Foster thanked Ms. Leonard for her presentation. He passed the gavel to Co-Chair Merrick.

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AT EASE

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RECONVENED

#hb128

HOUSE BILL NO. 128

"An Act relating to charitable gaming online ticket sales and activities."

[2:17:36 PM](#)

Co-Chair Merrick stated the committee would consider amendments to HB 128. She listed individuals available online for questions.

Representative Rasmussen MOVED to ADOPT Amendment 1, 32-LS0649\A.2 (Radford, 3/25/21) (copy on file):

Page 1, line 1, following "activities":  
Insert"; and providing for an effective date"

Page 2, line 27, through page 3, line 1:  
Delete all material and insert:

"age and location verification requirements;"

Page 3, lines 10 - 11:

Delete "permittee, an operator, or the holders of a multiple-beneficiary permit operating under (d) of this section"

Insert "purchaser"

Page 3, line 11:

Delete "verify"

Insert "certify"

Page 3, lines 13 - 16:

Delete all material and insert:

"is of legal purchasing age and is not physically present in an area that has adopted a local option prohibiting charitable gaming.

(f) A permittee, operator, or holder of a multiple-beneficiary permit conducting a charitable gaming activity under (d) of this section shall conduct the charitable gaming activity in the state and determine, in the state, the winner of the charitable gaming activity.

\* Sec. 3. This Act takes effect immediately under AS 01.10.070(c)."

Representative Wool OBJECTED for discussion.

Representative Rasmussen explained the amendment with a prepared statement:

Last week in committee there were a few issues that were brought up by members during our discussion on House Bill 128. After working with the sponsor and Legislative Legal we believe this amendment addresses most, if not all, of the issues raised. This amendment eliminates the requirement for a purchaser to be a resident of the State of Alaska. It eliminates the requirement that the raffle licensee verify the age and location of the purchaser. It eliminates the prohibition of sales to people located outside of state if the organization wishes to open it up to outside sales. For internet sales, the purchaser, not the licensee, will verify their age and that the individual resides in a state where purchase of a raffle ticket is not prohibited. It clarifies that any raffle covered in this bill occurs in this state and

the winner is determined in the state. It also includes an immediate effective date.

Co-Chair Merrick asked to hear from the sponsor.

REPRESENTATIVE ZACK FIELDS, SPONSOR, supported the amendment and appreciated the opportunity to work with the amendment sponsor.

Representative Wool WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 1 was ADOPTED.

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Representative LeBon MOVED to ADOPT Amendment 2, 32-LS0649\A.4 (Radford, 3/26/21) (copy on file):

Page 3, line 8, following "permittee"  
Insert", an operator, or the holder of a multiple-beneficiary permit"

Page 3, line 9, following "online":  
Insert "or by other electronic or digital means"

Vice-Chair Ortiz OBJECTED for discussion.

Representative LeBon explained that he had an amendment to Amendment 2 that he would like to adopt before speaking to Amendment 2. He MOVED to ADOPT Amendment 1 to Amendment 2:

Page 1, line 2 of the amendment, following "permit":  
Insert "conducting a raffle or lottery, dog mushers' contest, derby, or type of classic defined in AS 05.15.690"

There being NO OBJECTION, it was so ordered.

Representative LeBon shared that he intended to withdraw the amendment but wanted to put a few things on the record. He explained Amendment 2 as amended with a prepared statement:

Amendment 2 as amended clarifies the language when it comes to how a permittee, an operator, or the holder of a multiple beneficiary permit may conduct a charitable raffle or lottery, a dog mushers' contest,



derby, or classic. The new language on page 3, line 8 would read "a permittee, an operator, or the holder of a multiple-beneficiary permit conducting a raffle or lottery, dog mushers' contest, derby, or type of classic defined in AS 05.15.690 may draw winning tickets online or by other electronic or digital means." The language would allow, in addition to permittees, operators, and holders of multi-beneficiary permits, to draw winning tickets online or utilize electronic or digital means on a computer. Utilization of electronic tools for drawing of winning tickets brings increased efficiencies such as those noted by stakeholders during invited testimony. The department has interpreted the definition of "raffle and lottery" in AS 05.15.690 Section 41 very strictly. Such that drawing winning tickets by lot only means drawing physical tickets in a barrel draw. My desire is to make clear to the department that we intend to allow drawings to be conducted electronically.

This amendment came to me from the suggestion of a letter from the Public Employees Local 71, which utilizes a charitable gaming operator who also happens to be one of my constituents, to help fund a scholarship and wellness fund for members and their families. As the bill is written now, only permittees, not operators or holders of multi-beneficiary permits, may draw tickets online. Many nonprofits rely on operators to raise funds for them, reducing the effort of organizing massive fundraising events themselves. It is not my intent with this language to enable electronic pull tabs or electronic bingo, which I believe is only made more explicit by the amendment to the amendment specifying this would only apply to a raffle or lottery, dog mushers' contest, derby, or classic.

I believe the drafter Claire Radford is on the line and I believe she can clarify some of these points and I would also like to get an assessment by the Department of Revenue. Before we go to the drafter, there has been concern expressed by some stakeholders who are not comfortable with the amount of time that they have had to review this amendment. I have communicated with the sponsor who has assured my office that they are willing to work with me on this amendment on the House floor. So, in good faith, I

intend to withdraw it so it can be offered on the floor once those groups have had a chance to get further review.

Representative LeBon WITHDREW Amendment 2 as amended.

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AT EASE

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Co-Chair Merrick noted the amendment process had concluded.

Representative Wool had questions about the amendment that had been withdrawn related to online raffle and lottery sales. He asked how to combine the use of online tickets and paper tickets to draw a winning ticket. He asked if online tickets would be converted to paper. He surmised that the idea of electronic tickets was temporarily off the table, but the issue could be addressed on the House floor. He thought the House Finance Committee setting may be a better place to figure the issue out. He reiterated his prior questions and asked how the winner would be drawn. He asked about a scenario where the winner was drawn at a banquet. He asked if the digital ones would be included on paper in the drawing. He asked about scenarios where the tickets were sold out-of-state. He asked if the number of tickets to be sold was made clear before the start of the lottery. He asked for verification that tickets could not be added to the original number after the lottery had begun.

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Representative Fields believed the statute was clear that a drawing had to be fair and transparent with a record of the tickets in an in-person only or a combined in-person and online lottery. He explained that the operator of the raffle would have to consolidate the paper and online tickets in one way or another. He believed the committee had heard in invited testimony that permittees and charitable organizations believed online sales were more easily traceable. He stated his understanding that HB 128 already allowed for the drawing of a ticket from a barrel in an online manner. He was happy to work with Representative LeBon on the issue to ensure there was no

ambiguity. He deferred to Legislative Legal for further detail.

Representative Wool understood that a digital ticket could be pulled from a digital barrel. He wondered what would happen if paper tickets were also sold. He asked if the paper tickets would be entered into the digital barrel. He remarked that sometimes people wanted a ceremonial draw instead of a random number generator.

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Representative Fields believed the statute was pretty clear that if 250 tickets were sold online and 250 were sold in person with an in-person drawing, there would need to be 500 tickets in the barrel to have an equal chance.

Representative Wool asked for verification that the number of tickets in a raffle had to be set at the beginning of the process.

Representative Fields deferred to Legislative Legal regarding the number of tickets that could be sold.

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CLAIRE RADFORD, LEGISLATIVE COUNSEL, LEGISLATIVE LEGAL SERVICES (via teleconference), replied that she could get back to the committee with an answer.

Co-Chair Merrick noted the committee was having difficulty hearing Ms. Radford. She asked to have the answer repeated.

Ms. Radford would look into the question and follow up.

COLLEEN GLOVER, DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), answered that she could follow up on the question. She knew tickets had to be sequentially numbered.

Representative Wool wanted to know there were a finite number of tickets being sold in a raffle.

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Ms. Glover replied that she did not see the issue included in regulation. She noted the DOR charitable gaming manager

was not currently available due to the state holiday. She would follow up with an answer.

Representative Rasmussen remarked that it did not seem appropriate for the legislature to micromanage how operators chose to manage their raffles if they were operating within the legal bounds. She had purchased numerous raffle tickets, which always seemed to disclose the number of raffle tickets and the time and date of the drawing. She believed adding the digital component would eliminate some of the data entry and administrative work and provided for more accurate online records. She thought that paper could get lost much easier than digital footprints and she believed it added to transparency and provided more flexibility to raffle operators.

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Representative LeBon stated that the language in Amendment 2 attempted to broaden the scope to include operators and multi-beneficiary permittee holders. He asked if the amendment would enable electronic bingo, pull tabs, slot machines, or other class III gaming.

Representative Fields answered that it was the concern the sponsor had heard from stakeholders that the language could be misconstrued. He understood it was not the intent of Amendment 2. He wanted to be certain the plain language would only be interpreted one way, consistent with the sponsor's intent.

Representative LeBon asked if allowing a digital ticket to be drawn by digital means would create a conflict with the definition of raffle and lottery by the drawing for prizes by lot and as was defined in state statute.

Representative Fields replied that there was a bit that hinged on the definition of "by lot" and whether it was limited to a drawing from a barrel in physical or electronic means. He believed the legislature needed to ensure they were narrowly referring to drawing from a barrel and not permitting online pull tabs, slots, and sports gaming, all of which raised problems with stakeholder conflicts and legal problems potentially with federal law. He had not heard concerns from any stakeholder about electronically drawing from a barrel, but he had heard numerous concerns about language being misconstrued

to permit other activities, which were likely better addressed in comprehensive legislation. He disclosed that Local 71 was one of his wife's employers. He noted the union had weighed in with the proposal, albeit he had not supported it.

[2:35:55 PM](#)

Representative LeBon asked if the amendment would result in a significant expansion of gaming revenue. He asked if it was a net plus for the industry.

Representative Fields answered that it was not his intention for the bill to expand the scope of online gaming beyond online raffle sales. He stated that if an amendment were misconstrued to allow such a broad expansion of online gaming, whether it would lead to significant additional revenue was hard to know. He would not want to go down that road without understanding all of the implications.

[2:36:35 PM](#)

Representative Josephson asked for verification that the bill made no changes to pull tab laws.

Representative Fields replied in the affirmative.

Representative Josephson referred to Representative Fields' reference to the definition of "by lot." He relayed that the committee had received an email the past weekend mentioning other reforms. For example, there was a requirement that an operator or permittee have a lease for bingo or pull tab locations. The email had pointed out there were instances where the requirement was silly. He asked if it was further reform the bill sponsor was looking to engage in or leave for another day.

Representative Fields replied that since the bill had been introduced, he had heard a number of good ideas in the realm of charitable gaming. He communicated his hope to address broader reforms in separate legislation because there were pending events that groups were trying to plan in the midst of a pandemic that were contingent on online raffle sales. He would hate for the bill to not pass in the current year and render numerous important events planned to take place over the next six months unable to move forward.

Representative Rasmussen elaborated legislators were all aware that DOR was actively working with a consultant that would take a deep dive into all gaming. She believed whether bingo and pull tab operators would be allowed to operate online was something the legislature needed to discuss after it received a report from the consultant. She agreed that it was prudent to provide the ability for raffles and events to move forward. She believed the legislature would have substantial conversation about gaming in the next year. She agreed with the bill sponsor on the need to keep the bill topic tight.

Representative Wool supported the bill, the concept, and the nonprofits wanting to sell tickets. He did not believe the circumstances were as dire at present - bars, restaurants, and supermarkets were open and people could be out in public and do much of the same activities where raffle tickets had been sold in the past. He returned to his previous question and remarked that the House floor was not a place to fix legislation. He provided a scenario where a raffle ticket was \$100 with a 500 or 1,000 ticket cap. He stated that the concept extended to the \$5 tickets. He wanted to ensure that once the number of tickets for a raffle had been decided and announced, it was not possible to add more tickets on at a later time. He was trying to determine whether the rule was in regulation or statute.

[2:41:17 PM](#)

Representative Fields deferred to his staff.

TRISTAN WALSH, STAFF, REPRESENTATIVE ZACK FIELDS, answered that 15 AAC 160.670 was one of the regulations regarding the printing and record keeping of raffles tickets. He reported that the sponsor's office had heard from numerous stakeholders that looking at a mixed barrel operation, they would continue to list things and follow laws and regulations regarding the maximum number of tickets in the raffle. He detailed that a software platform could help operators track sales and deduct tickets as they went. For example, if someone was selling tickets at Safeway on an iPad, it was possible to track tickets sold at each location to ensure there was no issue with the number of tickets sold. In regard to the drawing of the ticket, there were software programs and services that allowed a ticket to be drawn electronically. Additionally, operators also

had the option of making a paper copy of digital tickets to draw the drum. He added that the bill retained, with an amendment from the committee member from district 20 [district 22], the instruction for the department to develop regulations to implement and contemplate some of the issues that local organizations may encounter.

[2:43:11 PM](#)

Representative Wool asked if the statute specified that the number of tickets was set out at the beginning of a raffle as a finite number.

Mr. Walsh replied that he would have to follow up on the question.

Representative Carpenter stated the issue sounded fairly benign allowing nonprofits to raise money more effectively. He asked how the additional funds were used, specifically related to lobbying and political causes. He referenced conversations about dark money. He wanted to be clear the bill was about nonpolitical related fundraising that would not increase the amount of funds being used for political campaigns. He was curious if it was an effect the bill would have.

[2:44:43 PM](#)

Representative Fields answered not to his knowledge. He relayed there were just under 1000 permittees affected by the bill. He was not familiar with all of the permittees. He had engaged with the derbies, classics, and many of the sportsman groups conducting rallies. His office had also coordinated with other stakeholders currently not affected, basically to ensure they were not affected. He was not aware of a circumstance where the bill would get around any of Alaska's campaign laws. He was not aware of political groups that used anything allowed by the bill. Additionally, nothing in the bill would enable a nonprofit to get around Alaska's dark money laws, which would remain in place.

Representative Johnson asked if some [raffles] would be in-person and some would be online.

Representative Fields answered in the affirmative. He elaborated that his office had heard that permittees had

been doing the combined sales during the pandemic, which had been valuable.

Representative Johnson believed selling tickets in-person provided a connection to a real person instead of online. She hoped the bill would primarily benefit people and organizations that ticket purchasers cared about and appreciated. She thought requiring a certain percentage of the tickets to be sold in-person may connect the sales to reality. She stated that random number generators were not all created the same. She elaborated that there was much dabbling and different kinds of security when it came to random numbers. She understood the topic was not included in the bill, but she believed it would have to be addressed at some point to make it fair and equitable.

Representative Fields responded that he believed concepts highlighted by Representative Johnson were good things to address in regulation to ensure opportunities to win remained as equitable as they were in statute for physical tickets. For example, the Kenai River Sportfish Alliance had sold just over half its tickets in person and the remainder online during the pandemic. Overall, the organization had raised more money. He had heard from other operators, such as the downtown duck race in Ship Creek in his district. He elaborated that the operators would continue to sell online and in downtown establishments. He hoped there would be great tourist seasons in the future and that tourists would buy tickets in local stores. He believed the in-person connection was essential for any functional event. He provided the Nenana or Bethel Ice Classic as examples and did not foresee the events ever discontinuing the sale of tickets in person given the size of the community and the nature of the local event.

Representative Fields addressed the benefit of online sales with an example of a person in downtown Anchorage who was traveling outside who wanted to purchase a raffle ticket. In the case of some of the conservation groups, they sold high value raffle tickets to nonresidents and the tickets had ability to raise substantial money for conservation and natural resources. He believed it was a win even if most tickets were still purchased in person by Alaska residents.

[2:49:00 PM](#)



Representative Wool shared that whenever he travelled outside of Alaska, he typically purchased a lottery ticket for fun. He did not believe he could purchase a state lottery ticket online in Alaska because there was no state lottery. He asked if he was correct. He asked if other states allowed online sales to other states.

Representative Fields answered that it was a complicated legal issue. He explained that lotteries were different from raffles, which was the reason for the narrow scope of the bill. He elaborated that he was not trying to permit an online lottery conducted in Alaska that would allow people in multiple states to participate. He noted the concept would be much more complicated to pursue. He concluded that the idea was far beyond the scope of the bill.

Representative Wool shared that he had just bought an online ticket on the Permanent Fund Dividend website for the [Senator] Click Bishop lottery [Alaska Education Lottery]. He believed it was an online-only lottery. He pointed out there were online lottery tickets of a limited style. He remarked there was not a limited ticket number because the goal was to sell as many as possible - the more tickets sold, the larger the pot. He did not know whether the bill covered online lottery tickets.

Representative Fields replied that he did not believe it did. He deferred to his staff.

Mr. Walsh answered that the Alaska Education Lottery was established under a different title in statute; therefore, it was not necessarily governed by the changes made in the bill. He deferred to Legislative Legal for any additional input.

Ms. Radford agreed. She confirmed that the Alaska Education Lottery had been established in a different statute and was not covered under the bill.

[2:51:34 PM](#)

Representative Josephson noted that the new subsection, Section 2, referred to lottery on line 7. He asked for detail.

Representative Fields explained that the language referred to the set of events with permittees traditionally thought

of as derbies, classics, and charitable gaming classics, as opposed to a lottery seen in the Lower 48, some of which were multistate. He deferred to Legislative Legal for the legal definition.

Ms. Radford answered that raffle and lottery were defined as one and the same under AS 05.15.690. She explained that statute pertained to the selling of rights to participate and awarding of prizes in a game of chance conducted by the drawing of prizes by lot.

[2:52:45 PM](#)

Representative Rasmussen stated her understanding that the Permanent Fund lottery was closed to nonresidents. She thought a person could only donate a portion of their Permanent Fund Dividend (PFD) [to enter the lottery].

Ms. Radford agreed. She confirmed that the raffle was only through the Permanent Fund.

Representative Rasmussen asked for verification that someone could not go online and pay \$100 to purchase a spot in the lottery. She stated her understanding that an entrant had to be an Alaskan resident and had to use a portion of their PFD to enter.

Ms. Radford agreed. She confirmed that a person needed to be in-state and using their PFD to purchase a spot.

Mr. Walsh responded to earlier questions by Representative Josephson and Representative Wool. He and explained that the amendment by the member from District 22 added language that was protective for the state's interest as well as those operating a raffle or lottery under AS 5.15.690. The amendment clarified that charitable gaming activity would take place in the state and the winner would be determined in the state. The guidance the bill sponsor had received from legal experts on behalf of stakeholders had communicated the amendment language would allow raffles and lotteries to be conducted with as much safety as possible regarding interpretation.

[2:54:41 PM](#)

Representative Carpenter spoke about unintended consequences. He looked at support within the bill packet

from the Safari Club and Kenai River Sportfishing Association. He remarked that both organizations did good things within the state. He shared that he was a fan of hunting and fishing. He stated that the committee had just amended the bill to allow raffle tickets to be purchased out-of-state. He elaborated that the Safari Club mission was advocacy and its website specified it would advocate for specific legislation. He remarked that the state's campaign finance laws would not be changed by the legislation; however, he was concerned about the unintended consequence of advocacy for local and state laws through the purchase of raffle tickets by people outside Alaska. He expounded that without the amendment the dollars raised through raffles would be by Alaskans for Alaskans. He highlighted that [with the amendment] larger amounts of money could potentially be coming in from out-of-state to local organizations dealing with local issues. He thought it warranted further consideration.

Representative Fields answered that prior to the pandemic the organizations sold raffle tickets to residents of other states. He gave an example of a person saving up to do a big Kodiak bear hunt or something similar. He explained that the pandemic had hit, and the administration had issued temporary guidance on online sales. He relayed that when he had heard from business and nonprofit stakeholders that wanted to continue online sales, his office had drafted the bill to align closely with the administration's temporary guidance. He explained that after the drafting of the bill, his office had heard from sporting groups and others that previous to the pandemic they had sold raffle tickets outside Alaska. The origin of the amendment was meant to continue a preexisting ability to sell raffle tickets outside Alaska online. He clarified that the amendment protected an existing power and did not create a new one.

[2:57:34 PM](#)

Representative LeBon referenced the phrase "may draw winning tickets online" currently in the legislation. He asked if it allowed for a random number generator for use of drawing the "winning ticket."

Representative Fields deferred to Legislative Legal.

Ms. Radford answered that the language was ambiguous, and it was unclear how the department would look at it; it was possible the department would interpret the language fairly broadly to allow for a random number generator.

Representative LeBon asked whether a "ghost ticket" would be printed to put into the physical barrel if someone purchased a ticket online.

Representative Fields agreed that it would be necessary to print online tickets to include a barrel because the statute was predicated on the equal chances of winning concept.

[2:59:12 PM](#)

Representative Rasmussen referenced the discussion by Representative Carpenter. She thought they may be overstating impacts. She did not believe there would be a coordinated effort by people who strongly oppose Safari Club's mission statement to purchase a \$20 to \$100 raffle ticket with the intention of trying to sway or move the issues advocated by a group. She thought it was more likely that people outside of the state would support the mission and may purchase a raffle ticket to support the cause. She noted that elected officials took donations during campaigns, but no donation from any group or individual determined how elected officials acted. She elaborated that people donated to elected officials because of what they stood for just like people purchasing raffle tickets in support of the mission of a group. She shared that she had family members out-of-state who loved fishing in Alaska and would be happy to support the cause online.

Representative Carpenter stated it was a fair point. He clarified that he was not speaking positively or negatively about the two organizations he had referenced earlier. He believed the amendment enabled outside influence to occur more easily because it was occurring over the internet. He was not speaking about a specific organization. He stated there could be an organization that he did not philosophically support, and the change would support it just as much as it would benefit an organization he supported. He stated that the effect on local politics would be more money pouring into organizations established to influence politics because it was easier to have raffles

and receive money from out-of-state. He thought it should be concerning.

3:02:30 PM

Representative Wool thought there were interesting points being brought up, especially regarding out-of-state. He thought it underscored the importance of establishing a ticket limit. He provided a scenario where the ticket was \$1,000 and 100 were sold. He remarked that someone may want to know where the money had come from. He thought establishing parameters and limits from the outset of any lottery it would prevent any "funny business" from going on. He thought it was an important component to any game of chance.

Representative Fields answered that every raffle he had ever seen or participated in advertised the information at the outset, which was part of the appeal. He noted it was different than purchasing a lottery ticket in the Lower 48 where the goal was for as many people to participate as possible, which at some point materially decreased the odds of winning. With a raffle there was a finite number, which was part of the appeal. He would look into the issue and if it was not currently addressed, he was open to addressing it assuming there was concurrence by stakeholders. He thought it seemed to be something that was done already.

3:04:07 PM

Representative Wool clarified that a ticket limit was not desirable for certain things like the Nenana Ice Classic where the goal was to sell as many tickets as possible to generate a large pot of money. He understood it was already addressed in statute.

Ms. Glover replied to Representative Wool's question related to the number of raffle tickets. She relayed that the limit did not exist in regulation. She explained there was nothing limiting the number of tickets being sold or requiring the operator to notify purchasers of the number. She stated it was possible for an organization to market a raffle at a certain number of tickets and add more later on. She did not know whether it happened, but it was allowable. She added that current regulation required numbered sequential tickets and for the organization to account for every ticket (whether sold or not).

Representative Wool thought it was an important point. He stated that the requirement for tickets to be numbered sequentially was great; however, he thought a ticket limit should be addressed to account for raffles tickets sold globally. He did not feel comfortable with the bill until the issue was addressed.

[3:05:57 PM](#)

Representative Johnson asked if the process was used by other states.

Representative Fields confirmed that other states had language very similar to the language included in the bill and the [adopted] amendment sponsored by Representative Rasmussen. The amendment basically outlined how to have an instate organization conducting a raffle instate with participation from residents of other states. He shared that his office had reviewed some of those examples and had tried to make the bill consistent with what seemed like best practices.

Representative Johnson provided a scenario where a national nonprofit established a raffle in Alaska and sold tickets online nationally. She asked if the organization would be required to be registered as a nonprofit in Alaska or have an Alaska business license.

Representative Fields referenced AS 05.15, which included limitations on what constituted a qualified organization. He explained that an organization had to exist for at least three consecutive years prior to applying and have at least 25 members who were Alaska residents. He explained there were some safeguards included against national organizations using Alaska as a haven to conduct raffles. He deferred to Mr. Walsh for additional detail.

Mr. Walsh added there were 40 to 45 other states that allowed online raffles in some form. He detailed that most were restricted to charitable gaming for nonprofits. In regard to a national organization looking to find a home base, there were a majority of other states with some form of the practice included in the bill.

[3:08:11 PM](#)

Representative Wool gathered that the bill was on a fast track to be reported out of committee. He remarked on the absence of a requirement to limit the number of tickets being sold. He stated it would be possible for an organization to say they were selling 100 tickets and then sell 10,000. He wanted to amend the bill. He relayed that he did not want to amend the bill on the House floor due to the unpredictability. He wondered whether the bill sponsor would be amenable to a conceptual amendment. He remarked that it was not his intent to slow the bill down. He stated that allowing tickets to be sold globally meant a person in Jaipur, India could purchase tickets.

3:09:07 PM

AT EASE

3:11:04 PM

RECONVENED

Co-Chair Foster MOVED to REPORT CSHB 128(FIN) out of committee with individual recommendations and the accompanying fiscal note.

Representative Carpenter OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Edgmon, Josephson, LeBon, Ortiz, Rasmussen, Thompson, Wool, Merrick, Foster  
OPPOSED: Carpenter

The MOTION PASSED (9/1).

Representative Johnson was absent from the vote.

There being NO further OBJECTION, CSHB 128(FIN) was REPORTED out of committee with four "do pass" recommendations, three "no recommendation" recommendations, and four "amend" recommendations and with one new indeterminate fiscal note from the Department of Revenue.

3:12:24 PM

AT EASE

3:15:58 PM

RECONVENED

#hb27

HOUSE BILL NO. 27

"An Act naming the irene Webber Bridge."

3:16:04 PM

Co-Chair Merrick reported that she had received no amendments for the bill.

Co-Chair Foster MOVED to REPORT HB 27 out of committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 27 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (DOT).

Co-Chair Merrick reviewed the schedule for the following day.

#

ADJOURNMENT

3:17:05 PM

The meeting was adjourned at 3:17 p.m.